What are your clients doing about the tax bill on their estate?

asks Kate Connor, Protection Development Manager, Irish Life

No one likes to think about dying, but many of us will have a plan for what we intend to happen to our assets, or home, when we die. Many of your clients will be planning to leave their house, savings or other assets to family and others, but how many of them are aware what tax bill this inheritance will trigger? If they are planning to leave their home and assets to someone in their will, then a conversation with you as their Financial Adviser, could potentially reduce the tax bill payable on their estate.

In the past, estate planning was something we associated with the very wealthy, but reductions in the tax free thresholds, together with increases in the capital acquisitions tax rate, have resulted in more and more people who previously did not have to give consideration to this area now needing to do so.

Revenue reported that in 2013, €277 million was paid in capital acquisitions tax. ***(Source: Revenue Headline Results 2013, www.revenue.ie).***

The rate of capital acquisitions tax, both for gifts and inheritances, increased from 20% in 2008 to 33% in 2013. The current thresholds* applying to Capital Acquisitions Tax are:

Group 1 €280,000	Where the person receiving the property is a child of the disponer or of the civil partner of the disponer or a minor child of a deceased child of the disponer or of the civil partner of the disponer, or a minor child of the civil partner of a deceased child of the disponer, or of the civil partner of the disponer.
Group 2 €30,150	Where the person receiving the property is a lineal ancestor, descendant, a brother/sister, or child of a brother/ sister or the child of a civil partner of a brother or sister of the disponer.
Group 3 €15,075	All other cases

**The threshold amounts are those applying with effect from 14th October 2015.*

So, how do you get started? Many of your clients will come to you looking to save tax and avoid legal problems or they may come to you looking to talk about their pension, or an investment. While considering their financial needs during their lifetime is of paramount importance, it is also necessary for clients to decide what they would like to happen upon their death.

So you start with the facts, and your client's intentions, and then look to minimise any problems and plan for any tax impacts that cannot be overcome. Ask your clients some initial questions:

- What would you like to happen on your death?
- Does everything go to a spouse, a partner, some to children, a charity, and a friend?
- Who do you want to benefit from your estate, and to what extent?

Your client may have a good idea of what they want to happen, but have they made a will? A will ensures that the estate will be divided according to the individual's wishes and not as the Succession Act 1965 dictates. In particular, the exercise involves a useful financial review. It highlights just how financially prepared your client's family would be in the event of unexpected death. A will is also an essential part of planning for capital acquisitions tax. By making a will an individual can, for example, make maximum use of the thresholds for his/her children and the spouse's exemption from inheritance tax and ensure that there is less potential for delays and disputes over their estate.

A capital acquisitions tax return must be completed by a beneficiary if the value of a gift or inheritance exceeds 80% of the relevant threshold amount. The tax is due and payable on the valuation dates indicated below. If tax is not paid by the relevant payment dates interest will be charged.

31 October 2014	Payment of CAT on gift/inheritance from 1 September 2013 to 31 August 2014.
31 October 2015	Payment of CAT on gift/inheritance from 1 September 2014 to 31 August 2015.
31 October 2016	Payment of CAT on gift/inheritance from 1 September 2015 to 31 August 2016.

Encourage your clients to consider what they want to happen to their estate on their death. Whatever their question, you can still rely on Irish Life's expertise to assist you. In addition, check out our new Online Guide to Business Protection and Estate Planning. All the information we provide has been collated into one handy online guide. See bline.ie for this and all our usual guides and documents, or ask your account manager.